

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

SECURITIES AND EXCHANGE	)	
COMMISSION,	)	
	)	CIVIL ACTION FILE
Plaintiff,	)	NO. 1:06-CV01171-CC
	)	
GEOFFREY A. GISH; WESTON	)	
RUTLEDGE FINANCIAL SERVICES,	)	
INC.; ZAMINDARI CAPITAL, LLC;	)	
LEXINGTON INTERNATIONAL FUND,	)	
LLC, a/k/a LEXINGTON	)	
INTERNATIONAL FUND, INC.; AND	)	
OXFORD ADAMS CAPITAL, LLC,	)	
	)	
Defendants.	)	

NOTICE OF FILING

Counsel for Thomas S. Richey, as Receiver for Weston Rutledge Financial Services, Inc., Zamindari Capital, LLC, Lexington International Fund, LLC, a/k/a Lexington International Fund, Inc., and Oxford Adams Capital, LLC, hereby files the attached Third Report Regarding Receiver’s Activities and Status of the Receivership Estate.

This 9th day of May 2007.

/s/ Stacey Godfrey Evans  
Jennifer D. Odom  
Georgia Bar No. 549717  
[jodom@pogolaw.com](mailto:jodom@pogolaw.com)

Stacey Godfrey Evans  
Georgia Bar No. 298555  
[sevans@pogolaw.com](mailto:sevans@pogolaw.com)

POWELL GOLDSTEIN LLP  
One Atlantic Center – Fourteenth Floor  
1201 West Peachtree Street  
Atlanta, Georgia 30309  
(404) 572-6600  
Fax: (404) 572-6999

Attorneys for Thomas S. Richey,  
Receiver for Weston Rutledge  
Financial Services, Inc.,  
Zamindari Capital, LLC,  
Lexington International Fund, LLC,  
a/k/a Lexington International Fund, Inc.,  
and Oxford Adams Capital, LLC

**THIRD REPORT REGARDING RECEIVER'S ACTIVITIES  
AND STATUS OF THE RECEIVERSHIP ESTATE**

Thomas S. Richey, as Receiver for Weston Rutledge Financial Services, Inc. (“Weston Rutledge”), Zamindari Capital, LLC (“Zamindari”), Lexington International Fund, LLC, a/k/a Lexington International Fund, Inc. (“Lexington”), and Oxford Adams Capital, LLC (“Oxford Adams”) (the “Receivership Companies”) (the “Receiver”), hereby files his Third Report Regarding Receiver’s Activities and Status of the Receivership Estate (“Third Report”).

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## **INTRODUCTION**

1. On August 28, 2006, in his First Report Regarding Receiver's Activities and Status of the Receivership Estate ("First Report"), the Receiver set out the procedural background of this case as well as the initial findings of the financial condition of the Receivership Companies.

2. As explained in the First Report, upon taking over the Receivership Companies, the Receiver located and took possession of all of the bank accounts and other assets of the Receivership Companies. These included twenty-seven (27) accounts at four (4) different banks, with balances totaling \$1,039,144.43, the Receivership Companies' offices and equipment and other assets such as contract rights and claims against third parties for funds paid out and owed back to the Receivership Companies.

3. The Receiver also assumed the responsibility of dealing with claims against the Receivership Estate. Based on the investigation to date, it appears that the Receivership Companies' liabilities are largely to investors who entrusted their funds to Geoffrey A. Gish and the Receivership Companies. Mr. Gish and the Receivership Companies took in approximately \$29 million in investor funds and returned approximately \$11.6 million to investors. There is approximately \$18

million of investor funds that are spent, missing or lost. The Receiver is seeking to recover the missing funds for the benefit of investors and other creditors.

4. As detailed below, the Receiver, his counsel and the Receivership accountants have continued their efforts to trace and locate the missing funds, identify and locate the persons and entities who received the funds and demand their return. The Receiver is in discussions with some of these persons and entities in an effort to recover funds without the expense and delay of litigation, but is preparing to file suit where necessary.

5. The Receiver has also begun the claims administration process. The Receiver secured an April 27, 2007 bar date from the Court, gave notice to investors to file proofs of claim and has received 451 timely submitted investor claims. These proofs of claim are being examined for completeness, accuracy, validity and amount. Any investor whose claim is rejected will receive notice and an opportunity to apply to the Court for allowance of the claim.

6. The Receiver continues to anticipate that, as is the case in most Ponzi scheme receiverships, it will take more than a year, and perhaps multiple years, to recover funds through litigation with third parties in order to return any meaningful amount of money to investors.

7. Based on information known to date, the Receiver does not expect to recover all the lost funds because, among other things, Defendant Gish received and spent over \$1 million of the funds on himself, another \$1.3 million in funds was used as operating expenses in running the Weston Rutledge offices, funds were transferred to third parties who lack the ability to repay them, and close to half of the missing funds were transferred to foreign banks. The Receiver is not yet in a position to predict the extent of recovery likely to be achieved.

8. This Third Report is intended to provide a summary of the activities and findings of the Receiver and his team to date. Some of the information contained in this Report is subject to change as additional information and documents are received during the course of the litigation and the litigation with third parties. The Report covers the following areas:

- A. Investigative work
- B. Interviews and depositions
- C. Efforts to collect the Receivership Companies' assets and funds
- D. Investor and creditor claims and communications
- E. Summary of the Receiver's collections and expenses

### **RECEIVER'S ACTIVITIES**

9. Since the time of the filing of the Second Report Regarding Receiver's Activities and Status of the Receivership Estate ("Second Report") on November 20, 2006, the Receiver and his counsel and accountants have engaged in

the following activities:

**A. Investigative Work.**

10. The Receiver has continued to obtain documentary evidence through subpoenas issued in this case (SEC v. Gish). These include subpoenas served before and after the date of his Second Report. These subpoenas have sought information regarding travel and activities of Zahra Ghods, information on ownership of and payments for certain vehicles that Defendant Gish claims to own personally, and bank records for third parties who received funds from the Receivership Companies.

11. The Receiver has received documents from the following persons and entities pursuant to subpoenas that had already been served prior to the Second Report:

- (a) David Sayid, former counsel for the Receivership Companies
- (b) Mike Kelly, a person who traveled with Geoffrey Gish to inspect the iron ore mine Ms. Ghods claims to own and one of the managing members of Ledge, LLC
- (c) Allstate Insurance Company
- (d) GEICO General Insurance Company
- (e) The Traveler's Indemnity Company of America
- (f) Wachovia Bank, N.A.
- (g) American Airlines
- (h) Continental Airlines

12. The Receiver received responses from the following entities stating that they did not have documents responsive to the subpoenas that the Receiver served upon them prior to the Second Report:

- (a) Japan Airlines
- (b) Korean Airlines
- (c) Air France
- (d) China Eastern Airlines

13. The Receiver has served over 20 subpoenas since the Second Report.

14. A second subpoena was served upon Zahra Ghods on April 6, 2007 and she produced additional documents in response to that subpoena. A third subpoena was served upon Zahra Ghods and responsive documents were due on May 8, 2007.

15. On March 28, 2007, subpoenas were served on the following credit card companies for documents relating to Ms. Ghods' credit card accounts:

- (a) Capital One Bank FSB
- (b) Citibank, N.A.
- (c) Chase Bankcard LLC
- (d) Merrick Bank Corporation
- (e) BankFirst Financial Services
- (f) American Express Company
- (g) Wells Fargo Bank
- (h) Bank of America, N.A., USA

The Receiver has received documents from Merrick Bank Corporation and Wells Fargo Bank ("Wells Fargo"). The Receiver has received letters from American

Express Company and Bank of America, N.A., USA stating that they have no responsive documents. The Receiver is awaiting responses from the remaining companies.

16. Documents were received from the Georgia Department of Revenue, Motor Vehicles Division pursuant to a previously-served subpoena, concerning Mr. Gish's numerous automobiles. A second subpoena was served upon the Department requesting additional documents and the Receiver has received those documents as well.

17. On November 15, 2006, the Receiver served a subpoena upon Florida Discount Securities Inc. ("Florida Discount Securities"), an investment company with which Mr. Gish is believed to have held an account. The Receiver received a letter in response to the subpoena stating that the company is out of business. The letter stated that a company named Fiserv, Inc. ("Fiserv") may have responsive documents. On February 1, 2007, the Receiver sent a subpoena to Fiserv requesting responsive documents relating to Florida Discount Securities. On or about March 12, 2007, Fiserv informed the Receiver that the subpoena must be served upon Fidelity Investments. On March 12, 2007, the Receiver served a subpoena upon Fidelity Investments and has received responsive documents.

18. As previously reported, on July 20, 2006, the Receiver served Majestic Capital Management (“Majestic”) with a subpoena for documents. On August 7, 2006, Majestic objected to the Receiver’s Subpoena. The Receiver filed a motion on November 3, 2006 in the United States District Court for the District of New Jersey (“New Jersey District Court”) to compel the production of documents from Majestic. The New Jersey District Court granted the Receiver’s Motion to Compel on December 5, 2006. Though the New Jersey District Court ordered Majestic to produce responsive documents to the Receiver on or before December 22, 2006, Majestic has yet to produce any such documents. The New Jersey District Court held a telephonic hearing on the matter with counsel for the Receiver and for Majestic on January 22, 2007. During the hearing it was determined that Majestic would make a diligent search for responsive documents and produce them as soon as possible or would make an affidavit under oath that it was not in possession of responsive documents. During his deposition (described in more detail below), Mr. Johnson again claimed that he did not have any documents responsive to the Receiver’s subpoena. The Receiver believes that Majestic is in possession of responsive documents, but Majestic and its principal, Karl Johnson, deny their existence. As a result, the Receiver has served subpoenas to three banks, Wachovia Bank, N.A. (“Wachovia”), Wells Fargo, and Commerce

Bank, seeking documents related to Majestic's and Karl Johnson's accounts.

Wachovia has produced responsive documents and Wells Fargo and Commerce Bank have informed the Receiver that production of documents is forthcoming.

19. On September 28, 2006, the Receiver served IRA Resources, Inc. with a subpoena for documents. After multiple efforts to gain compliance with the subpoena, the Receiver filed a Motion to Compel with the U.S. District Court for the Southern District of California on February 5, 2007. Thereafter, on or about February 23, 2007, the Receiver received responsive documents from IRA Resources.

20. Since the Second Report, the Receiver has also served subpoenas on the following persons and entities:

- (a) American Engineering Corporation
- (b) D.K. Wood, Jr.
- (c) Hap Schultz
- (d) Riverfront Properties, Inc.
- (e) Bank of New York
- (f) Cathay Pacific Airways, Ltd.
- (g) HSBC Bank PLC

The Receiver has received responsive documents from Hap Schultz, Riverfront Properties, Inc., and Bank of New York. Cathay Pacific Airways, Ltd. sent a response stating that it could not locate any responsive documents.

21. As previously reported, the Receiver has served subpoenas upon No Guilt Chocolate Company, Inc., Waterways Management, and Seven Star Wines of Moldova, Inc. These entities have failed to produce any responsive documents and the Receiver is working to locate the principals or officers of these entities in order to move the courts to enforce the subpoenas. As stated in the Second Report, it appears that James Matthieson, an officer of Seven Star Wines of Moldova, Inc., is currently serving time in a detention center for theft by taking.

22. Further document subpoenas will be issued as the opportunities and needs arise.

**B. Interviews and Depositions.**

23. Myra Ettenborough. Counsel for the Receiver and the Securities and Exchange Commission (“SEC”) interviewed Myra Ettenborough on December 19, 2006 for approximately seven (7) hours, on January 18, 2007 for approximately one (1) hour, and on April 5, 2007 for approximately one (1) hour. Ms. Ettenborough provided useful information regarding the operations of the Receivership Companies, the various investments, Zahra Ghods, and other third parties, among other things.

24. Donovan E. Davidson. Counsel for the Receiver took the deposition of Donovan E. Davidson on January 4, 2007. Mr. Davidson testified about the

investment offerings and his role as a salesman of those investments. Mr. Davidson denies committing any wrongdoing and denies knowing that any of the information he provided to investors was false. He claims not to have known that payments made to investors and payments he received as commissions were made using funds received from new investors. He claims that he believed that the Receivership Companies' investments were profitable and that "interest" payments to investors and "commission" payments to him were paid from investment earnings. He also claimed that he did not know that investor funds deposited with Zamindari were transferred to bank accounts overseas. He claims that he understood all money deposited with Zamindari and Oxford Adams was kept in blocked accounts at Wachovia, but that he always assumed that money deposited with Lexington was transferred overseas, to London, to be used in foreign currency trading. As previously reported, the Receiver has demanded that Mr. Davidson return the commissions he received because they were the result of illegal activity and constitute a fraudulent transfer. Mr. Davidson has responded that he is unable to pay the Receiver's claim.

25. Geoffrey A. Gish. As previously reported, Geoffrey A. Gish had declined to answer questions at his deposition invoking his Fifth Amendment rights against self-incrimination. He did agree to a limited interview with the

Receiver and the SEC for the purpose of discussing Zahra Ghods and her involvement with the Receivership Companies in preparation for the deposition of Ms. Ghods. That interview took place on January 18, 2007. It produced some useful information, but there were a large number of questions that Mr. Gish answered by stating that he did not know or did not remember the information requested. Those included information regarding what Ms. Ghods did with the funds transferred to her and to her companies Rusa Cap, LLC and Unisource, LLC.

26. Zahra Ghods and Rusa Cap, LLC. Counsel for the Receiver and the SEC took Ms. Ghods' deposition in Hong Kong on January 25 and 26, 2007. The deposition lasted approximately twelve (12) hours over two (2) days. The deposition yielded important information, including answers to questions that many investors have asked based on representations that were made about or by Ms. Ghods and questions regarding her activities and assets. While her testimony was informative, it was not encouraging with regard to the prospects of recovery from or through her. The results of the deposition have been summarized and posted to the Receiver's website.

27. As discussed in previous Receiver Reports, bank records show that Ms. Ghods received approximately \$10 million from the Receivership Companies. Ms. Ghods testified that only \$5 million of these funds was intended to be invested

in a bank note trading program. Ms. Ghods claimed that the remaining funds that she received from the Receivership Companies were to be invested in her iron ore mines, or to pay her personal living expenses.

28. Ms. Ghods was questioned at length regarding \$5,000,000 in funds that had been transferred to an account in the name of her company Rusa Cap, Inc. (“Rusa Cap”), at a bank in the small European country of San Marino. She testified that neither she nor Mr. Gish were signatories on the Rusa Cap account at the bank in San Marino and therefore she never had any power or control over that account even though she told investors that she did. Ms. Ghods testified that she had given power over the San Marino account to another individual, Antonio Maria Ruspoli, so that he could engage in the bank note trading program for Rusa Cap. In response to the SEC’s and Receiver’s subpoenas, Ms. Ghods had produced documents regarding Mr. Ruspoli and his associate, Jeffrey M. Priebe, and her communications and agreements with them.

29. By July 2005, Mr. Ruspoli transferred all of the \$5 million that Rusa Cap had received from the Receivership Companies from the Rusa Cap account in San Marino to a bank account in Mr. Ruspoli’s name. Ms. Ghods claims that Mr. Ruspoli transferred these funds without her knowledge or consent. She admitted that she had discovered the transfers by no later than August 2005.

30. Ms. Ghods claims that Mr. Ruspoli and Mr. Priebe have refused to return the funds or respond to any of her inquiries about the funds, and she could not provide any information as to their current whereabouts. She promised to furnish any information she obtains on either individual to the SEC and the Receiver.

31. After August 2005, Ms. Ghods assured several investors that the funds in the San Marino account were secure, even though Mr. Ruspoli had already depleted the funds from that account. Ms. Ghods testified that, in giving these assurances, she was simply repeating what Mr. Ruspoli and Mr. Priebe had told her. It appears that any statements that funds in the San Marino account were invested and statements regarding earnings on invested funds were untrue. In fact, Ms. Ghods could not identify any trading programs that Rusa Cap or she had arranged to invest in.

32. Ms. Ghods was questioned extensively regarding the iron ore mine(s) that she claims to own in Mexico with another individual. (Upon request for the contact information for this individual, Ms. Ghods stated that he died in September 2006). She admitted that the mines are not operating and that it would require significant resources, such as the construction of a conveyor belt at a cost of \$30 million, to move the iron ore from the sites to the port in Mexico.

33. Ms. Ghods has never sold any ore from the mines, although she testified that she has been trying to do so for several years. She claims that she is currently negotiating an agreement with a Chinese entity for the sale of ore from her mines. Neither the SEC nor the Receiver can confirm the veracity of this testimony. Based on her testimony, however, it does not appear that the mines will be an easy source of recovery for investors, and it would require significant sources of capital to retrieve the iron ore and move it to the port for sale. The Receiver is nevertheless continuing to investigate the iron ore mines, because, as discussed below, Ms. Ghods admits that she has an obligation to return at least a portion of the money she received from the Receivership Companies, but claims that she has little else in assets other than the mines.

34. Ms. Ghods admitted that she never owned or controlled an account at the Canadian Imperial Bank of Commerce that supposedly held a \$100 million Certificate of Deposit. Ms. Ghods claimed she was only “renting” the \$100 million CD. Ms. Ghods testified that she rented the CD through a third party intermediary, Simon Gulkanian, who supposedly gave her the bank documents that she provided to Mr. Gish and a few investors. These documents included purported account statements from the Canadian bank for an account supposedly

held by Rusa Cap, and two letters purporting to be from senior bank management confirming that Rusa Cap held an account at the bank.

35. Ms. Ghods admitted that certain statements in the purported letters from the senior bank management were untrue. Specifically, one of the letters falsely stated that Rusa Cap had been a depositor at the Canadian bank since September 2001 and that as of September 2005 Rusa Cap had a deposit balance in the “high 10 figures.” Ms. Ghods admitted that these statements were false, because Rusa Cap never had an account at any Canadian bank. Ms. Ghods concedes that the account number on the documents she provided Mr. Gish belongs to another entity unrelated to the Receivership Companies and held only \$17.00 as of December 2005. Ms. Ghods also conceded that other information on the account documents is inaccurate. Among several other things, Ms. Ghods does not maintain any address in Canada. In fact, she admitted that she has never been to Canada. Based on her testimony and other information that the SEC has developed, it appears that she does not have any funds in Canada and never did.

36. Ms. Ghods admitted to having bank accounts for herself and her companies in various countries outside of the United States, including accounts in London and Hong Kong. Ms. Ghods’ United States bank records show transfers of funds from the United States to those overseas accounts.

37. Ms. Ghods stated that she does not own any real property in the United States. She lived in an apartment in California, rents an apartment in London and lives in a rented apartment in Hong Kong. Ms. Ghods admitted to owning no assets other than her bank accounts and the Mexican mines.

38. While Ms. Ghods received funds from the Receivership Companies in addition to the \$5,000,000 transferred to San Marino, she claims not to have those funds, but still has not accounted for what happened to them.

39. Ms. Ghods admitted that she is obligated to repay the funds that she received from the Receivership Companies and individual investors. She states that she has not yet repaid the funds that the Receiver has demanded because she simply does not have the money to do so.

40. The Receiver is following up on information obtained through Ms. Ghods' deposition, including inquiries concerning persons who received Receivership Company funds.

41. Bruce Heim. On January 31, 2007, counsel for the Receiver interviewed Bruce Heim, President of Business Data Transfer Service ("BDTS") regarding the transfers/investments that Mr. Gish and the Receivership Companies made in BDTS. BDTS is an operating company that offers software enabling large amounts of electronic data to be transmitted in "packets." According to Mr. Heim,

the transfers from the Receivership Companies were for an investment in his software company. The Receivership Companies own five percent (5%) of the company's stock, although Mr. Gish improperly titled it in his own name. The investment has not yet earned any returns and is illiquid.

42. Mike Kelly. Counsel for the Receiver interviewed Mike Kelly on February 28, 2007 regarding his knowledge of Mr. Gish, Ledge, LLC ("Ledge"), Riverview Partners, LLC ("Riverview"), Ms. Ghods, the Mexican mines which he visited with Mr. Gish, and certain persons and entities through which Mr. Gish invested Receivership Company funds, such as Majestic Capital Management.

43. Karl Johnson of Majestic Capital Management. Counsel for the Receiver took the deposition of Karl Johnson on April 24, 2007. Mr. Johnson testified about the funds he received from the Receivership Companies and his subsequent transfers of those funds. He also testified regarding his knowledge of Mr. Gish and Ms. Ghods, among other subjects. Mr. Johnson acknowledges his obligation to repay the balance of the funds that Majestic received from Zamindari, but he claims that he does not have the money and accuses the State of Arizona and the United States Attorney's Office of misappropriating it. Documents produced by Wachovia indicate numerous transfers into other accounts controlled by Mr. Johnson that he claimed not to recall. The Receiver is continuing his focus

on Majestic and expects to file suit shortly, unless he receives a satisfactory payment plan. See discussion below.

44. Drew Abbott. Counsel for the Receiver took the deposition of Drew Abbott on April 26, 2007. Mr. Abbott testified about his loans with the Receivership Companies as well as his knowledge of several subjects, including Mr. Gish, Ms. Ghods, Ledge, Riverview, and the Mexican mines. The Receiver has been attempting to determine whether any of the \$1.9 million in funds that Mr. Abbott's investor group invested in Riverview/Ledge and were repaid actually belong to the Receivership Companies. Mr. Abbott testified that after those funds were returned by Ledge, his investor group attempted to invest them in a European bank note trading program, that the funds have been lost and that he has been trying to recover them. Mr. Abbott has acknowledged his liability on the \$385,082.11 in loans he obtained and other payments that he and his father received from Weston Rutledge. If satisfactory repayment arrangements are not made shortly, the Receiver will file suit against Mr. Abbott. See discussion below.

45. The Receiver is currently scheduling other interviews with various witnesses; depositions will be deferred pending developments in Mr. Gish's bankruptcy. See discussion below.

46. Review and Analysis of Accounting Records. As previously explained, in order to seek the recovery of investors' funds, obtain the maximum return to investors and ensure a fair administration of investor claims, the Receiver and his team are working to confirm the amount of money that came into the Receivership Companies and from whom, and how much went out and to whom.

47. The Receiver's accountants continue to work on the review and analysis of the voluminous electronic accounting records from the Receivership Companies and banking records and other documents obtained from financial institutions pursuant to subpoena in order to analyze and determine who owes money to the Receivership Companies and how much is owed.

48. The Receiver's accountants also continue to analyze the deposits from investors and the payments to them, in conjunction with the information submitted by investors, to determine the amount of each individual investor's losses or profits. Now that the deadline for the filing of investor and creditor claims (the "Bar Date") has expired, the claims administration process can begin. Also, with the help of his accountants, the Receiver is continuing to identify and make demand on investors who profited, seeking return of the profits they received. See further discussion below.

**C. Efforts to collect the Receivership Companies' Assets and Funds.**

49. Geoffrey A. Gish. As previously reported, the Receiver filed his Motion to File Cross-Claim Against Geoffrey A. Gish on October 13, 2006 seeking \$18 million and alleging claims for breach of fiduciary duty; misappropriation, conversion, and fraudulent transfers of assets; gross negligence; negligence; piercing the veils of limited liability; indemnification; punitive damages; and attorneys' fees and expenses. On February 5, 2007, the Court granted the Receiver's Motion to File Cross-Claim Against Geoffrey A. Gish and the Receiver filed his cross-claim the same day. Mr. Gish was served with the Receiver's cross-claim on February 5, 2007 and his answer was filed on March 19, 2007.

50. Based upon information obtained from Mr. Gish and the Receiver's investigation of his assets, as previously reported, it does not appear that Mr. Gish is able to pay the full amount of the claims asserted against him. As explained in the Receiver's First Report, the Receiver discovered that a claimant unrelated to the Receivership Companies recovered a default judgment against Mr. Gish on November 7, 2005 in the amount of \$925,000.00. This judgment represents a lien on certain of Mr. Gish's assets that could have priority over claims asserted by the Receiver or investors. The Receiver reached an agreement with the judgment

creditor to work together to collect certain of Mr. Gish's assets and divide the proceeds from the sale of such assets, which include several automobiles and at least two significant pieces of real property. Such an agreement would allow the Receivership Companies to collect assets from Mr. Gish that would otherwise be impossible to collect because of the prior judgment.

51. On February 28, 2007, the Receiver sent a demand letter to Mr. Gish regarding automobiles that were purchased with funds belonging to the Receivership Companies and were improperly sold or transferred by Mr. Gish.

52. In November 2006, the SEC reached a settlement with Mr. Gish, subject to formal Commission approval. In the settlement, Mr. Gish agreed, without admitting or denying liability, to the entry of a consent judgment in which, among other things, he would be enjoined from any further violations of the anti-fraud provisions of the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940, agreed to the imposition of a civil fine of \$120,000.00 and also consented to a judgment of disgorgement of \$1,258,836.92, payable with interest to the Receivership Estate. This amount represented the funds which the Receiver's accounting firm determined that Mr. Gish had personally received from the Receivership Companies payment made for his own personal benefit. The Commission approved the settlement in April 2007, and on April 20, 2007 SEC

litigation counsel filed a proposed consent judgment with the Court. As of the date of this report, the Court has not acted on the consent judgment.

53. In the meantime, on May 1, 2007, Mr. Gish filed Chapter 7 bankruptcy in the United States Bankruptcy Court for the Northern District of Georgia (the “Bankruptcy Court”). The bankruptcy filing stays the current litigation as to Mr. Gish, including the SEC’s claims and Receiver’s Cross-Claim against Mr. Gish. This means that, without permission of the Bankruptcy Court, the Receiver cannot collect or continue with the litigation to collect the funds that Mr. Gish owes to the Receivership Companies except through the bankruptcy proceeding. The Receiver will participate in the bankruptcy proceeding as a creditor of Mr. Gish and the Bankruptcy Court will determine if, when, and in what forum the litigation against Mr. Gish may continue. The Receiver will also assess whether to contest the dischargeability of the Receivership Estate’s claims against Mr. Gish.

54. On May 1, 2007, the Receiver sent a demand letter to a third party currently in possession of an automobile that was purchased with funds belonging to the Receivership Companies.

55. Reappointment Order. The Receiver and his counsel have continued to negotiate with third parties who are liable to the Receivership Companies for

repayment of their liabilities. If the Receiver is unable to settle with these liable persons and entities, he will file litigation against them in order to recover funds for the Receivership Estate. The Receiver prefers to file that litigation in the United States District Court for the Northern District of Georgia, thus saving costs associated with filing litigation in other states. Court rules require the Receiver to file his order of appointment from this Court in every district where property belonging to the Receivership Estate may be located within ten (10) days of the entry of the order. Because it is impossible for a receiver to know all the districts wherein property may be located when his order of appointment is first entered, it is routine practice for the Court to “re-appoint” the Receiver so that he may file his appointment order in the necessary jurisdictions in compliance with the court rules. On November 7, 2006, the SEC filed a motion requesting that the Court re-appoint the Receiver. On November 21, 2006, Mr. Gish filed an improper pro se objection to the petition. In late November and early December of 2006, the SEC and the Receiver filed response briefs. Mr. Gish’s objection has represented an obstacle and caused a five month delay in moving forward with litigating claims against third parties. On April 16, 2007, the Court found Mr. Gish’s objection to lack merit and to be improperly filed, granted the SEC’s motion to strike the objection and the SEC’s motion to re-appoint Mr. Richey as Receiver.

56. During the week of April 16, 2007, the Receiver filed the Order of Reappointment in thirty-four (34) jurisdictions in nineteen (19) different states. The Receiver is finalizing litigation filings against liable parties.

57. Abbott. As previously reported, the Receiver made a demand for the return of \$423,956.84 due on loans and from other funds received by R. Drew Abbott and his father Charles Lewis Abbott on August 28, 2006 and a supplemental demand on October 16, 2006. The amount demanded on these dates included interest due as of the date of the demand letters. Given Mr. Drew Abbott's deposition testimony, the Receiver believes that the principal, if not only issue, is Mr. Abbott's ability to repay the debt. The Receiver is negotiating a settlement with the Abbotts, but is prepared to file a lawsuit against them if the parties cannot agree to a settlement that is fair to the Receivership Companies.

58. Majestic Capital. Also, as previously reported, the Receiver discovered that approximately \$476,000 in Zamindari funds were seized by the State of Arizona from a Majestic bank account. Those funds were forfeited because Mr. Gish failed to claim them after receiving notice from the State of Arizona on January 4, 2006. Upon finding the January 4, 2006 letter in Mr. Gish's desk, the Receiver called and corresponded with the State of Arizona to obtain return of the funds. On October 26, 2006, the Receiver was notified that the State

of Arizona was prepared to accept a formal written request from the Receiver to claim the funds, supported by proof of the funds' transfer from Zamindari to Majestic. On October 30, 2006, the Receiver sent a letter to the State of Arizona formally requesting that the frozen funds be transferred to the Receivership Companies and providing proof of the transfer of funds. On January 16, 2007, the Receiver received a wire in the amount of \$507,937.64 from the Arizona Attorney General's Office.

59. The Receiver is pursuing the remaining approximately \$525,000.00 in funds from Majestic. Majestic's principal, Karl Johnson, has claimed that all the funds received from Zamindari were frozen and never spent, but the bank records that the Receiver obtained through subpoena indicate otherwise. (As reported above, the Receiver obtained an order compelling Majestic to produce responsive documents and subpoenaed documents from Wachovia, Wells Fargo, and Commerce Bank).

60. Also as reported above, Mr. Johnson was deposed on April 24, 2007. He admits that he owes the funds to the Receivership Companies, but claims he does not have the funds to repay the amount at this time. He admitted that Zamindari funds were not kept in a segregated account, that he used some of the

funds for his personal living expenses, and that he transferred some of the funds to third parties.

61. Santa Monica. As previously reported, the Receiver and his accountants had to devote considerable amounts of time and effort to determine the extent of the Receivership Companies' ownership rights and claims to the \$1,265,000.00 in funds frozen in a Wachovia bank account in the name of Santa Monica Capital, LLC ("Santa Monica") and to determine the rightful owners of those funds. The funds had been placed with Ledge for investment and, when Ledge was disbanded and it returned its funds to investors, Ledge transferred the \$1,265,000.00 to Santa Monica on June 27, 2006. After analyzing Santa Monica, Riverview and Ledge documents and bank records, obtaining signed questionnaires and documentation from Santa Monica members regarding the cash they invested in Santa Monica, interviewing investors and interviewing Myra Ettenborough, the Receiver determined that most of the investors had bona fide claims to the return of their funds. On January 2, 2007, the Receiver filed a Motion for Partial Release of Funds Held in the Account of Santa Monica at Wachovia. No objection was filed to the motion and on February 21, 2007, the Court granted the Receiver's Motion. On or about March 19, 2007, the Receiver received \$295,000.00 from the frozen Santa Monica funds. The individual Santa

Monica members received the balance of the funds, except for \$250,286.86 which remains frozen, either because the Receiver has a claim to the funds or has a claim against the Santa Monica Investor who invested them. The Receiver is completing a settlement with one of those investors which, upon Court approval, would result in a \$35,286.86 recovery for the Receivership Estate.

62. Other investments. As stated in the Second Report, the Receiver sent demand letters to certain entities and individuals who received money from the Receivership Companies to invest on behalf of the Receivership Companies, but in fact never invested the funds or, in any event, never provided the Receivership Companies with anything in return. Those entities and individuals and the amounts they received from the Receivership Companies are listed below:

- (a) Champion Partners Association and Steven P. Arena – \$283,300.00
- (b) Majestic Capital Management and Karl Johnson – \$1,055,000.00
- (c) No Guilt Chocolate, Inc. and Mark Goodley – \$226,200.00
- (d) Waterways Management and Stuart Robbins – \$1,800,000.00
- (e) Zahra Ghods, Rusa Cap, Inc. and Unisource, LLC – \$10,200,736

63. Thus far, none of these entities or individuals have returned any funds to the Receivership Companies.

64. The Receiver is preparing to file lawsuits against Mr. Arena, Champion Partners Association, Majestic Capital Management, Karl Johnson, No Guilt Chocolate, Inc., Mark Goodley, Waterways Management, Stuart Robbins,

Zahra Ghods, Rusa Cap, Inc. and Unisource, LLC for return of the funds they received from the Receivership Companies.

65. Mr. Arena, on behalf of himself and Champion Partners Association promised to pay one-half of the amount owed on or before January 31, 2007 and the remainder on or before February 28, 2007. Thus far, however, he has failed to make any payments to the Receiver.

66. David Sayid. On March 8, 2007, the Receiver sent a demand letter to David Sayid, Esq. for the return of \$30,000.00 paid to him as a retainer for future legal services on behalf of the Receivership Companies on May 17, 2006. Because Mr. Sayid ceased to represent the Receivership Companies on May 17, 2006 and, as such, none of the \$30,000.00 retainer was applied toward legal services on behalf of the Receivership Companies, the funds rightfully belong to the Receivership Estate.

67. Claims Against Sales Personnel. The Receiver is continuing to assert claims against Donovan Davidson and other persons who earned commissions on sales to investors. As discussed above, Mr. Davidson claims to be unable to repay the \$613,208.04 that he received from the Receivership Companies as commissions and supposed “interest” on his investments, but has failed to provide the Receiver with a financial statement, though one was requested. Mr. Davidson

also disputes that he received this amount, but has failed to provide the Receiver with documentation supporting his position.

68. Profiting investors. As reported in the Second Report, the Receiver had sent demand letters to eleven (11) investors who received over \$660,000 in funds from the Receivership Companies in excess of their principal investments. On March 2 and 5, 2007, the Receiver sent follow-up letters to each of those investors reasserting the demand for payment. Several of these investors are currently working with the Receiver to confirm the amounts owed and reach an agreement for a payment plan or demonstrate their inability to pay. For investors who state that they lack the money or assets to repay, the Receiver has asked them to prepare and submit a signed financial statement to demonstrate their financial inability to pay. If the investors do not pay or enter into a satisfactory agreement to pay over time, the Receiver will file suit against them. Any settlements with investors involving a compromise of the Receivership's claims will require court approval.

69. Since filing the Second Report, the Receiver has made demands for the return of funds from eight (8) additional investors who received over \$1 million in funds from the Receivership Companies in excess of their principal investments.

70. Additional demands will be issued as the Receiver and his accountants finalize their analysis.

71. In addition to the foregoing, the Receiver and his counsel and accountants are engaged in other investigation and recovery efforts, including efforts to trace and locate funds on which it would be premature to report or where public disclosure of the efforts would potentially adversely impact the prospects of success.

**D. Investor and Creditor Claims and Communications.**

72. During the week of August 28, 2006, the Receiver mailed an investor notice and claim form to all known investors.

73. On February 22, 2007, the Court issued an order setting a deadline for the filing of claims to the Receivership Estate of April 27, 2007. The Receiver immediately posted notice of the Bar Date on the Receivership website.

74. On March 5, 2007, the Receiver sent notice of the Bar Date to all known investors. Notice to investors is also posted on the Receivership website.

75. On March 6, 2007, the Receiver sent notice of the Bar Date to all known creditors. Notice to creditors is also posted on the Receivership website.

76. The Receiver publicized the Bar Date for investor and creditor claims in the legal notices section of the *Fulton County Daily Report* on March 20-23, and 26, 2007.

77. To ensure that all investors received proper notice, on April 24-26, 2007, the Receiver gave supplemental notice to a group of twenty-seven (27) investors who, according to Receivership Company records, had sustained losses, but who had not filed proofs of claim.

78. The Bar Date has expired and the claims submission period is now over. Any belated claims may only be received if allowed by the Court.

79. The Receiver received 451 claim forms timely filed by approximately 330 investors representing claims for over \$18 million in losses.

80. Receivership Company creditors were also provided notice. The Receiver received only one (1) creditor claim for \$1,464.26.

81. The Receiver with the assistance of his counsel and accountants will examine each of the claims and the supporting documents submitted, determine whether they have been prepared properly in accordance with instructions, compare the losses claimed with the information contained in Receivership Company records and decide whether the claims should be allowed and, if so, in what amount. If there are errors, discrepancies or disagreements on the claims

filed, the Receiver will attempt to resolve them through further analysis and, where needed, through discussions with the claimant.

82. Any investors whose claims are denied in whole or in part will be given notice and will have an opportunity to apply to the Court for a ruling on the validity or amount of their claims.

83. The Receiver continues to receive frequent telephone calls and e-mails from investors and creditors, and he and his counsel have personally spoken with or corresponded by e-mail to inquiring investors and creditors, several on multiple occasions, since the Second Report. Many of these communications have concerned the claims process and the submission and receipt of investor claims. In these telephone calls and e-mails, the Receiver has learned that the investors have received very misleading information about the status of the investments from those persons who were involved in running the illegal scheme. The investors have been told that their money is safe, still invested and that returns will be sent to them once the investment programs run their course. As the Receiver learned from the records of the Receivership Companies as well as the deposition of Ms. Ghods, nothing could be further from the truth. There is, unfortunately, with the exception of a small interest in BDTS, no legitimate investment at work on behalf of the

Receivership Companies and their investors, and BDTS is not expected to generate any return to the Receivership Estate.

84. The Receiver updates the Receivership website at [www.westonrutledge Receiverships.com](http://www.westonrutledge Receiverships.com) with court filings and, from time to time, other information relevant to the investors.

**E. Summary of the Receiver's Collections and Expenses.**

85. The total bills that the Receiver has paid since the Second Report is \$495,557.88. This includes \$489,901.11 in professional fees and expenses sought in the Receiver's first fee petition and granted by the Court on February 22, 2007. In its order, the Court also approved payment of an additional \$149,501.51 in professional fees and expenses when collections and recoveries have increased the gross Receivership Estate by \$1,000,000, which the Receiver expects to occur in the near term. Other expenses include \$5,656.77 for (a) deposition transcript and related costs, (b) subpoena processing charges, and (c) the cost for investor and creditor notice advertisements published in the *Fulton County Daily Report*. Since Weston Rutledge's business operations have been discontinued, no new operational costs (e.g., rent, utility, salary payments) have been incurred since the time of the Second Report. The Receiver expects to file his second fee petition for

professional fees and expenses by the end of May for expenses incurred from October 1, 2006 through March 31, 2007.

86. The total amount collected by the Receiver since the Second Report is \$820,167.75, this includes additional funds located in the Receivership Companies' bank accounts at Wells Fargo, Majestic Capital funds from the State of Arizona, Santa Monica funds, and insurance reimbursements from the Receivership Companies' previous plan. In addition, approximately \$92,000 was collected from the sale of assets of the Receivership Companies' offices prior to the Second Report.

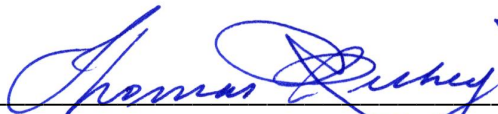
87. The current cash on hand for the Receivership Companies is \$1,346,632.55.

### **CONCLUSION**

88. All information stated above is based on the knowledge of the Receiver at this point in time and later developments and discoveries may cause the information reported herein to be outdated or incorrect.

89. The Receiver will continue to provide the Court with updates on developments and findings affecting the Receivership Companies.

Respectfully submitted, this 9th day of May 2007.



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Thomas S. Richey,  
as Receiver for Weston Rutledge Financial  
Services, Inc., Zamindari Capital, LLC,  
Lexington International Fund, LLC, a/k/a  
Lexington International Fund, Inc., and  
Oxford Adams Capital, LLC

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

SECURITIES AND EXCHANGE	)	
COMMISSION,	)	
	)	CIVIL ACTION FILE
Plaintiff,	)	NO. 1:06-CV01171-CC
	)	
GEOFFREY A. GISH; WESTON	)	
RUTLEDGE FINANCIAL SERVICES,	)	
INC.; ZAMINDARI CAPITAL, LLC;	)	
LEXINGTON INTERNATIONAL FUND,	)	
LLC, a/k/a LEXINGTON	)	
INTERNATIONAL FUND, INC.; AND	)	
OXFORD ADAMS CAPITAL, LLC,	)	
	)	
Defendants.	)	

CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing NOTICE OF FILING AND RECEIVER’S THIRD REPORT REGARDING RECEIVER’S ACTIVITIES AND STATUS OF THE RECEIVERSHIP ESTATE with the Clerk of Court using the CM/ECF system which will automatically send email notification of such filing to the attorneys of record.

This 9th day of May 2007.

/s/ Stacey Godfrey Evans  
Stacey Godfrey Evans